

# House Energy & Commerce Committee

## Reforms Will Rescue Medicaid

The House today will consider critical proposals to make the federal-state Medicaid health program efficient enough to grow and survive, and deliver better care to the poor. The changes are also estimated to save taxpayers approximately \$4.7 billion over the next five years, according to the Congressional Budget Office. The reforms, based on recommendations from all 50 Democrats and Republicans governors, and authored by the House Energy and Commerce Committee, specifically would:

1. **Gives states greater flexibility to provide services** - Medicaid covers newborn babies and seniors alike, but state officials are currently forced to offer a one-size-fits-all program. Under the bill:
  - States will have greater flexibility to better target scarce resources and offer coverage that better meets each patient's needs;
  - These reforms will help states shift healthy adults into employer sponsored and private health plans, where benefits are at least as good as those provided to the taxpayers who pay for Medicaid;
  - Vulnerable groups, including children, pregnant women and seniors will see no changes at all.
2. **Roots out wasteful over spending on pharmaceuticals** - The government routinely overpays for prescription drugs for beneficiaries. Starting in 2007, the federal government will not pay more than 250% of the AMP of the lowest-cost version of a generic drug. These reforms will also:
  - For the first time, AMP will be made publicly available, which CBO estimates will save taxpayers hundreds of millions of dollars in overpayments. This will also allow employers and private health plans negotiate better drug prices;
  - The bill sets more realistic reimbursement rates for medicines based on the average manufacturers price (AMP).
  - The Department of Health and Human Services inspector-general found in 2002 that Medicaid reimbursements exceeded pharmacists' true costs by \$1.5 billion. Every dollar wasted on overpayments is a dollar that does not go to treat patients.
3. **Encourages personal responsibility** – Today Medicaid is prohibited from charging co-payments for services, no matter the cost. As a result, health care costs predictably take a back seat in today's "free" system. In a typical example, at one Georgia hospital 29% of emergency room patients were seeking care for common, maladies like ear infections and the flu. That's roughly 29,000 patients and \$5.6 million wasted in 2004 in one ER alone. The legislation makes the following changes:
  - Allows states to enforce co-payments of as much as 20% for a prescription drug or service;
  - Creates incentives for beneficiaries to seek non-emergency care in physician offices or clinics, rather than the emergency room. This means that more emergency rooms will be available to those who need them – patients suffering from true medical emergencies;
  - Lower income and vulnerable populations are exempted from these rules;

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- Beneficiaries are further protected by the limitation that restricts the total amount of co-payments to never exceed 5% of a family's annual income.
4. **No more Medicaid for millionaires** - Increasingly middle and upper-income seniors are transferring or hiding assets to appear impoverished and, thus, entitled to Medicaid coverage for long-term care services. The legislation would:
- Change how Medicaid imposes penalties for persons seeking to hide or transfer assets to qualify for Medicaid. The bill also extends the “look-back” period from three to five years to provide greater scrutiny of such “Medicaid planning” financial transactions;
  - The bill also bans anyone with more than \$500,000 in home equity from Medicaid eligibility altogether. States would also be allowed to raise the amount to \$750,000 if they have higher median home values.